

CALIFORNIA FRANCHISE TAX BOARD

Internal Procedures Manual
General Tax Audit Manual

5000 OPENING A CASE

GTAM 5100	ASSIGNING ADDITIONAL WORK
GTAM 5200	GENERAL INFORMATION WINDOW
GTAM 5300	PASS TASK PLAN
GTAM 5400	CASE TYPE AND CASE STATUS
GTAM 5500	TEAM AUDITS

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5100 ASSIGNING ADDITIONAL WORK

Supervisors or leads assign cases from the Group Worklist to the audit staff. Based upon level of experience, audit staff may also assign work to themselves.

When assigning work to the Worklist, determine if your audit program separates the models between the field and Central Office. Work closely with the Modeling Team Lead for your program in determining the appropriate models available.

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5200 GENERAL INFORMATION WINDOW

GTAM 5210	Current Summary Tab
GTAM 5220	Audit Tab
GTAM 5230	Protest Tab
GTAM 5240	Untimely Protest Tab
GTAM 5250	Claim Tab
GTAM 5260	Docketed Protest/Claims Tab
GTAM 5270	Appeals Tab
GTAM 5280	Litigation Tab
GTAM 5290	Settlement & Settlement Amounts Tabs

A case unit is automatically created when we assign a taxpayer in PASS. Part of the case unit that is created is the General Information window. The General Information window is partially pre-filled with information obtained from different sources, to provide a general summary of the current standing of the case or case unit. Verify all of this information.

The General Information Window is divided into ten tabs:

- *Current Summary*
- *Audit*
- *Protest*
- *Untimely Protest*
- *Claim*
- *Docketed Protest/Claims*
- *Appeals*
- *Litigation*
- *Settlement*
- *Settlement Amounts*

You cannot view the Legal and Settlement tabs unless you have proper authorization.

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5210 Current Summary Tab

The Current Summary tab gives the user a general overview of the case unit. Some of the fields are discussed below.

Responsible Owner - Every case and case unit must have a Responsible Owner who is in charge of the case unit. Each case unit can have only one Responsible Owner. The Responsible Owner of the primary case unit is the Responsible Owner for the case. In a team audit, team members consist of the Responsible Owner and one or more team members.

ID Number - A number that identifies taxpayers, such as the

- FEIN (Federal Employer Identification Number),
- CCN (California Corporation Number), or
- SSN (Social Security Number).

Taxpayer ID Type – The type of taxpayer identification associated with the taxpayer. The possible types are

- FEIN (Federal Employer Identification Number),
- CCN (California Corporation Number),
- SSN (Social Security Number), or
- Unknown.

Case Unit Creation Date - The date the case unit was created, either manually or automatically. We use it to measure the audit's effectiveness.

Case Unit Type - The classification of the current examination (Audit, Protest, Untimely Protest, or Claim).

Case Unit Status - The current phase in the examination process (e.g., pre-audit, work in progress, review, etc.).

Fiscal Year – This is the Taxable Year End for the entity. If the entity has calendar year 1995, the date entered is "12/31/1995." Update this information on all case units. Audit Support uses this data during the case unit closure process.

Bankruptcy Indicator - Indicates if this taxpayer is in bankruptcy status. *If so, change the Statute of Limitations date to reflect the Bar Date.*

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Priority Case Indicator - Indicates if this case is a priority.

Workload Category - Enter for all case units. Do not charge time to a case unit that does not have a valid workload code. *You should have one workload code through the life of the audit.* For example, if a case goes through the audit cycle, is subsequently protested, and then goes through the appeals cycle, *the workload code should remain the same.* See your supervisor or lead for appropriate workloads. Also, see GTAM 13500, *Revenue Codes / Workload Codes*.

Next Action - The next action and the associated next action date information are displayed. Only the most current next action is displayed at a time, unless the tickler becomes overdue.

IRS Audit Flag - Mark the box if you get information about an ongoing IRS audit. If you know the IRS Audit Date, complete this field.

Entity Type – The taxpayer's form of business. Entity types include C-corporation, S-corporation, Partnership, Estate/Trust, Individual, IRA/Keogh/SEP, Limited Liability Company, Limited Liability Partnership, and Other.

DLN – Document Locator Number. See GTAM 4440, *Document Locator Number (DLN)*, for additional information.

Statute of Limitations Date - The Statute date for the case unit. This information is pre-filled, so you *must* confirm this information. Update this field as changes are made to the Statute during the course of the examination.

- If the taxpayer is in bankruptcy, the Statute should refer to the Bar Date as the statute date.

Suspense Release Date - If the case is in suspense, enter the date that it is due for release. Record in the Event Log. Although the suspense date puts the case on “*hold*” for a period, it is still viewable.

Case Unit Type Date - The date the case unit was changed to the current type. This helps us measure our timeliness.

Case Unit Status Date – The date the case unit was changed to its current status.

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Waiver Indicator - Indicates if we received an acceptable waiver for this case unit. Follow usual waiver rules about attaching original copies to the returns and making the appropriate cross-reference notes. See GTAM 10200, *Waivers*, for additional information.

Amended Return Indicator - See the following examples of when to check and not to check the Amended Return Indicator:

- **Amended returns become a part of the case unit already established for the filer.** If you are working an "Audit" type case, and an amended return (non-claim) is filed during, or before the audit process, check the "Amended Return Indicator" box, indicating that an amended return was filed for the current case unit. Do not create any new case units for the amended return.
- **If you receive the *amended* return (non-claim) to be worked as an audit, and there is no case or case unit already established for the tax year in question, the amended return *is* the current case unit.** Do not check the "Amended Return Indicator" box.
- **If an amended return that is a claim for refund is received, the amended return is the current case unit.** You do not need to check the "Amended Return Indicator" box.

Litigation Potential Indicator. – Indicates if the case unit has litigation potential.

Next Action Date: – Date next action is required.

IRS Audit Date: – Date of the IRS audit (if applicable).

Location: – Where we conducted the audit, in the field or through correspondence (desk).



- Verify that the information is pre-filled.
- Complete all other fields not automatically filled.
- In the Event Log, note the following:
 - Changes in the Responsible Owner and why.
 - The reason for a priority case, if one.
 - Any change in statute and why.

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- If we received a waiver, and whether for state or federal.
- Why a case was put into Suspense, if applicable.
- If the taxpayer has bankruptcy status.

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5220 Audit Tab

The Audit tab provides general information about work performed during the audit cycle. It includes these fields:

Complexity - The complexity codes indicate the examination's complexity and the level of review that we must complete on the case. The Unit Supervisor determines which codes to assign. The complexity codes are:

- **High** – Usually assigned to Program Specialists with the highest of technical skills.
- **Medium** – Assigned to auditors with more experience, such as Tax Auditor, Range B or Associate Tax Auditors
- **Low** – Assigned to Tax Auditors
- **None** – Unassigned

Notice Agreement - The box is checked if the taxpayer agrees with the proposed adjustment.

Notice Type/ Notice Amount - These fields display the most recent amount. For example, if a Notice of Proposed Assessment was created in the Notice window for \$50,000 on February 1, 1999, and a subsequent Notice of Proposed Assessment for \$10,000 was created on February 15, 1999, only the more recent notice for \$10,000 displays.

Primary Issue - This is the primary issue that the user has selected.

NPA Jeopardy Flag - Check this box if a Notice of Proposed Assessment Jeopardy assessment will be or has been issued.

Total Tax Potential is the estimated revenue expected from this audit.

Total Actual Hours are the cumulative hours charged in the Task Plan to date.

Total Estimated Hours are the cumulative hours estimated when completing the Task Plan.

Primary Staff/ Assigned Date - Select the primary staff and the date the case was assigned to an auditor. It is crucial to complete the Primary Staff. When

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cases are transferred to another staff, *update the primary staff field* with the new assigned staff. *Keep the original assigned date!*

Org Group is the organizational group that is assigned based on FTB organizational charts. This information is used for supervisory reports and upper level management. All users should verify this information is correct and update with any changes.

NOTE: The primary staff is the individual who actually works and resolves the audit. The primary staff is responsible for the audit's completion. While the responsible owner can change as the case unit is transferred from individual or group, *the primary staff was designed to remain constant*, unless *the case is reassigned to a new staff to complete*. The primary staff provides a method to identify easily who worked the case. When working team audits, the team lead of the audit is designated as the primary staff.

A primary staff is selected for each type the case unit is worked in. It is crucial to complete the primary staff and the associated assigned date fields. It is the staff's responsibility to update this field. Supervisors should verify that staff completes this information. Unlike the responsible owner, we should keep this field current as the case unit is reassigned.

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5230 Protest Tab

The Protest Tab provides general information about work performed during the protest cycle. It includes these fields:

Complexity: The complexity codes indicate the examination's complexity and the level of review to complete on the case. The Unit Supervisor determines these codes. The complexity codes are:

- **High** - Usually assigned to Program Specialists with the highest of technical skills.
- **Medium** – Assigned to auditors with more experience, such as Tax Auditor, Range B or Associate Tax Auditors
- **Low** – Assigned to Tax Auditors
- **None** - Unassigned

Protest Name – The name of the protest case. If cases are consolidated, this may differ from the PASS case name.

Notice Agreement - At the end of the protest, check this box if the taxpayer agrees at protest to all open issues.

Notice Type/ Notice Amount - If multiple notices are entered in the current type, PASS displays the last notice and notice amount.

Primary Issue is the primary issue that the user selects.

Date Hearing Held - This is the date that the protest hearing was held, if applicable.

Bill of Rights Date is 18 months from the date the protest was filed with the Franchise Tax Board, not date received in Audit.

Protest Amount is the tax and penalty that the taxpayer protests.

Total Tax Potential - The tax potential at protest is the total tax assessed at Audit.

Total Actual Hours are the hours charged during the protest.

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Total Estimated Hours are the hours estimated when completing the Task Plan.

Primary Staff/ Assigned Date – You must select the primary staff. The date should reflect when the case was assigned to an auditor. It is crucial to complete the Primary Staff. We use this information to determine the unit's production statistics. When you transfer a case to another staff, update the Primary Staff field.

Hearing Requested Date - If the taxpayer requests a hearing, check this box.

Date Protest Filed - Update this field. This is the date the taxpayer filed the protest with the Department, *not* the date the protest was received in a particular unit. It is crucial to complete this information. Update the Bill of Rights Date for each case unit.

Hearing Location

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5240 Untimely Protest Tab

The Untimely Protest tab provides data on the work performed during the untimely protest cycle. It includes these fields:

Complexity: The complexity codes indicate the examination's complexity and the level of review to complete on the case. The Unit Supervisor determines these codes. The complexity codes are:

- **High** - Usually assigned to Program Specialists with the highest of technical skills.
- **Medium** – Assigned to auditors with more experience, such as Tax Auditor, Range B or Associate Tax Auditors
- **Low** – Assigned to Tax Auditors
- **None** - Unassigned

Notice Agreement – At the close of the protest, check this box if the taxpayer agrees to all open issues.

Notice Type/ Notice Amount - These fields display amounts once the notice type and notice amount is entered. If multiple notices are entered in the current type, PASS displays the last notice and notice amount.

Primary Issue is the primary issue that the user selects.

Total Tax Potential - The tax potential at this stage is the total tax assessed at Audit.

Total Actual Hours are the hours charged to the untimely protest.

Total Estimated Hours are the cumulative hours estimated when completing the Task Plan.

Primary Staff/ Assigned Date - Select the primary staff. The date should reflect when the case was assigned to an auditor. It is crucial to complete Primary Staff. We use this information to determine the unit's production statistics. When you transfer a case to another staff, update the primary staff field.

Date Untimely Protest Filed shows the date the Untimely Protest was filed with the Department.

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It is important to remember that the filing of an untimely protest will *not* stop the billing. You should determine whether to suspend the billing and collection processes until the resolution of the untimely protest. If a hold is required, make a note in the Event Log and on BETS/TI as appropriate.

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5250 Claim Tab

The Claim Tab provides data on the work performed during the claim cycle. It includes these fields:

Complexity: The complexity codes indicate the examination's complexity and the level of review to complete on the case. The Unit Supervisor determines these codes. The complexity codes are:

- **High** - Usually assigned to Program Specialists with the highest of technical skills.
- **Medium** – Assigned to auditors with more experience, such as Tax Auditor, Range B or Associate Tax Auditors
- **Low** – Assigned to Tax Auditors
- **None** - Unassigned

Notice Agreement - At the end of the audit, check this box if the taxpayer agrees to the determination.

Notice Type - You will issue either a denial letter (full or partial), allow the claim, or issue an assessment. This field is automatically updated.

Notice Amount - This field is automatically updated.

Primary Issue - This field identifies the issues under consideration at the claim level. If the claim is filed in response to a notice or is a paid protest, the issues should be the same as during the audit process. If the taxpayer initiated the claim, the issues may vary.

Claim Filed Date is the date the Department received the claim, *not* the date a particular unit received the claim. This date should be updated for all claim case units. It is crucial to complete this information. Update the Bill of Rights Date for each case unit.

Amount of Claim – How much the taxpayer requests. If the taxpayer files an amended return requesting a refund, the amount of the amended tax return is entered in this field. When the taxpayer has paid a Notice of Proposed Assessment to stop accruing any additional interest, include the amount the taxpayer is requesting (i.e. the tax amount the taxpayer paid) in the Amount of Claim field.

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Amount Denied is the amount of the requested refund that is denied. If the taxpayer requests \$50,000 (reduction in tax only) and it is determined that the taxpayer's overpayment is \$30,000, then \$20,000 will be the amount denied and the amount in the Notice window.

Claim Number - Enter the claim number, if available. Not all claims will have a claim number that we track. The Claims Desk assigns the Claim Number that is on the amended tax return.

Total Tax Potential - This field shows the tax potential if denying any part of the claim. The tax potential may differ from the claim amount.

Total Actual Hours shows the hours charged to the claim. This field is automatically updated.

Total Estimated Hours shows the cumulative hours estimated when completing the Task Plan.

Primary Staff/ Assigned Date - You must select the primary staff. The date should reflect when the case was assigned to an auditor. It is crucial to complete the Primary Staff field. We use this information to determine the unit's production statistics. When you transfer cases to other staff, update the primary staff field.

Bill of Rights Date - If the claim is not completed within six months, the taxpayer may assume it has been denied and file an appeal with the Board of Equalization. You can modify this date by entering directly in the field.

Paid Protest Date is the date the Notice of Proposed Assessment is paid, while working a protest audit. *Once the protest is paid, the case is deemed a claim.* The user must change the type of the case unit from *Protest* to *Claim*. *A claim is deemed denied if not worked within six months, and the taxpayer has the right to file an appeal with the Board of Equalization.* Incorrect information on the system may lead to erroneous decisions.

Hearing Requested Date - This is the date the taxpayer requested a hearing. Taxpayers may request a hearing in their original protest letter or later. Update this information in the General Information window.

Hearing Held Date - This is the date the hearing is actually held. Update this field after the completion of the hearing.

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In all cases, it is important to coordinate audit cycles, protest cycles, and appeal cycles for the same taxpayer. You should always check the BETS/TI systems to identify if prior years are under protest or appeal.

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5260 Docketed Protest/Claims Tab

The Docketed Protest/Claim Tab provides information about the case unit when it was in the Docketed Protest/Claim Type. A docketed case unit has been determined to have significant legal issues requiring the Legal department's consideration. You cannot view this tab unless you have proper authorization.

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5270 Appeals Tab

The Appeals Tab provides information about the case unit when it was in the Appeals Type. You cannot view this tab unless you have proper authorization.

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5280 Litigation Tab

The Litigation Tab provides information about the case unit when it was in the Litigation Type. You cannot view this tab unless you have proper authorization.

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5290 Settlement & Settlement Amounts Tabs

The Settlement and Settlement Amount Tabs provide information about the case unit when it was in the Settlement Type. You cannot view this tab unless you have proper authorization.

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5300 PASS TASK PLAN

GTAM 5310 Task Plans for Multiple Entities

GTAM 5320 Baselineing

The Task Plan is your strategy to complete an audit, the start and end dates for each task, and the estimated hours per task you expect to incur over the course of the audit. The Task Plan helps you to complete the case in a targeted fashion and within the estimated hours.

You create one Task Plan for each case unit. If a case has more than one case unit, maintain the Task Plan in the Primary Case Unit. All case unit Task Plans associated with one case accumulate to create the Case Task Plan. You must create at least one Task Plan for each case, in the working case unit where actions are documented.

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5310 Task Plans for Multiple Entities

If one case has case units comprised of different entities, you must establish a Task Plan for each different entity, since the tasks required at each level may differ. For example, if you are examining one year of a partnership, and are looking at the same year of three of its partners, you have four case units under one case: one partnership and three owners. Establish a Task Plan to show the audit plan for the partnership and the audit plan for each partner if you will complete additional work at the partner level. Also, see GTAM 7400, *Creating Workpapers for Multiple Year or Multiple Entity Audits*.

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5320 Baselineing

In general, we expect to complete audits requiring fieldwork within one year. We should complete correspondence (desk) audits within six months. We use baselineing to measure *planned* versus *actual* completion dates. It permanently records a task's planned end date. The audit supervisor makes the determination to "baseline" a case or task.

Baselineing will not prevent you from progressing on the case if you exceed the established date. However, you cannot modify the planned end date once you have established it.

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5400 CASE TYPE AND CASE STATUS

GTAM 5410	Case Type
GTAM 5420	Case Status
GTAM 5430	Case Units with Different Types

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5410 Case Type

A case or case unit type is classified as *Audit*, *Protest*, *Untimely Protest*, *Claim*, *Docketed Protest/Claims*, *Appeals*, *Litigation*, or *Settlement*. Generally, you or Audit Business Support is responsible for updating the case type, depending on unit procedures.

The Protest Desk is responsible for changing the case unit type to Protest or Untimely Protest. If the Protest Desk affirms our position and the taxpayer appeals, the Appeals Desk is responsible for changing the case unit type and status to Appeals.

The Claims Desk is responsible for changing the case unit type to Claims. In addition, if we deny a claims case and the taxpayer appeals, the Appeals Desk is responsible for changing the case unit type and status to Appeals.

Special Circumstances - Claim v. Audit

- When an audit and a claim for refund are in progress for the same tax year, change the case type to Claim.
- **When you have multiple audits and claims for multiple years for the same entity, the *claim* is the mandatory workload.** Example:
 1. You receive claims for tax years #1 and #2. You manually create case units for these Claims.
 2. You subsequently open Audits for the same entity for tax years #3 and #4. Case units are manually created.
 3. *The primary case unit is the latest year claim.*
 - a. You should charge all claim workload time to the primary case unit (latest year claim).
 - b. Charge all audit workload time to the latest year audit case unit (tax year #4).
 - c. Otherwise, charge all of the time to claim case unit since this is a mandatory workload.

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5420 Case Status

Within each audit Type, the audit is further distinguished by the Status. As the case progresses, you will update the Status to reflect the current stage. The possible case unit statuses are:

- **Closed** – For any closed case unit.
- **Collections** - For any case unit that is under collection activity.
- **Legal** - For any protest case unit transferred to the Legal Division.
- **Legal/Settlement** - For any case unit transferred to the Settlement Bureau. **Open** - For any appeals case unit not yet closed.
- **Pre-Audit** - For a case unit during the pre-audit analysis stage.
- **Pre-Audit Review** - For case units submitted for review before the audit is opened.
- **Release Hold** - Returns the case unit to Work In Progress and releases the Suspend/Hold status.
- **Review** - For a case unit submitted for review.
- **Survey** - For a case unit surveyed.
- **Suspend/Hold** - For a case unit that we are temporarily not working (e.g. a bankruptcy case). You cannot use the suspend/hold status within 10 months of the Statute of Limitations.
- **Unopened** - For any case unit that is assigned but not yet worked.
- **Work In Progress** - For a case unit we are actively working.

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5430 Case Units with Different Types

A case can consist of case units in different types, such as Audit, Protest, and Claim. (See GTAM 16351, *Case Type: Claim v. Audit.*) However, you can only have one type at a time.

A paid protest is treated as a claim and you should treat it as a claim case unit in the PASS Desktop. Complete all information on the Claim General Information Tab, including the Paid Protest Date field. There are different limitation dates, such as the Taxpayer Bill of Rights for claims and protests (GTAM 16300, Claims, and GTAM 16200, Protests), and the Statute of Limitations for an Audit type case (see GTAM 10000, Statute of Limitations).

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5500 TEAM AUDITS

You can have two or more auditors working on the case as a team audit. Each team member may work separate tax years, or combine efforts and work each tax year together.

Since the PASS workpapers are viewable online, you may monitor the work done by the other team members. Two or more may view the workpapers at the same time, but only one may write to a given section at one time.

The team lead is the Responsible Owner of the primary case unit and is accountable for the entire audit. Any team member can perform tasks and update case units. You can add team members to any of the case units or to the entire case.

When the case unit is not checked out from the PASS central database, the Responsible Owner and team members can access folders in the workpaper file at the same time. The case unit is viewed as one document. The workpaper file is considered a separate folder with multiple documents.

If a team member tries to open a document that is already open on another workstation, the lead will get a “read-only” copy of the document that you cannot modify. Only one authorized individual can write to a document at a time.

Each team member must record time to the case unit to ensure the accuracy of monthly time reports.

If documenting the audit in each individual case unit, the team lead creates documents in each individual case unit, much in the same way to documenting the audit in the primary case unit. The major difference is that the team lead records the Task Plan and charges time in each individual case unit.

The Responsible Owner can transfer a particular case unit to a specific team member. The team member becomes the Responsible Owner of the case unit and receives a system notification in the Inbox. The new Responsible Owner must create the Task Plan for that case unit as well as charge hours to that case unit. The team member documents the work done on that specific case unit. The team lead is still responsible for the complete case!

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